FOREIGN BROADCAST INFORMATION SERVICE

Daily Report
Supplement

East Asia

JAPAN
FACING THE RICE ISSUE

FBIS-EAS-90-202-S
Thursday
18 October 1990

East Asia

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FACING THE RICE ISSUE

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* Differences Over Rice Issue Surface in LDP

902B0210A Tokyo NIHON KEIZAI SHIMBUN in Japanese 22 Jul 90 p 2—FOR OFFICIAL USE ONLY

[Text] There is an oppressive atmosphere within the LDP [Liberal Democratic Party] concerning the issue of opening rice markets. Within the party there is a gradually widening recognition that "a partial opening of rice markets will become unavoidable" with the coming climax of the GATT Uruguay Round (Multilateral Trade Talks). However, any quick change will inevitably bring strong resistance from the farming population, so party leaders and the authorities within the Agriculture Ministry are taking up a strong guard.

Yamaguchi's Statement Shocking

Special Research Council on Economic Coordination Chairman Yamaguchi's statement on the 13th that "partial opening of rice markets within the limit of about 5 percent will be inevitable" came as quite a shock to LDP's Agriculture Ministry crowd. This just as former Agriculture Minister Kano and his delegation of suprapartisan dietmembers who were dispatched to Europe and the United States on the 15th were going to plead Japan's case one more time using principally the food security argument. Former Agriculture Minister Haneda expressed his violent anger, saying, "It was just like being shot in the back." Chairman of the Executive Board Nishioka tried to return things to normal by hurriedly announcing that "the basic policy of self-sufficiency in rice will not change." However, even after that, the leaders of the opposition in the suprapartisan group on its trip abroad visiting Europe and the United States are making flexible statements on the rice issue which are making matters worse.

Mr. Yamaguchi is not the first to come out with the argument of "a partial opening of the market by 5 percent." Former head of the Policy Research Committee Watanabe, who is the central figure in the Ministry of Agriculture, said last year on 6 October on a television program that "there are people who say that at least 5 percent is inevitable." At that time he cleverly avoided trouble by quoting someone else's statement, thus getting by without causing controversy. But it did provide the opportunity for the view that "even partial opening of the sacred rice market is unavoidable" to infiltrate the party. Under the surface, since this spring even those around Prime Minister Kaifu have aimed at making the rice question have a softer impact. Secretary general of the Kawamoto faction Mr. Kondo Tetsuo, on a vacation in May, discussed the issue with U.S. congressmen along with other Japanese-U.S. trade friction issues, especially those related to agricultural problems, and upon his return to Japan immediately met with former Deputy Prime Minister Kanemaru to inform him of the seriousness of U.S. feelings on the rice issue. Since then, Mr. Kondo has visited Kanamaru's office on numerous occasions to discuss in minute detail the direction of the U.S. political world regarding the rice problem. It seems that the aim is to appeal to Mr. Kanemaru for support for Prime Minister Kaifu when it is expected that he will be pressed for a political decision on this issue, while at the same time using Kanemaru's influence in certain cases to diffuse the effect of a statement about "the inevitability of opening rice markets."

Agriculture Officials Cautious

In inverse proportion to feeling that the "party policy" of "not importing even one grain of rice" is gradually tottering, the actions and words of the Agriculture Ministry officials are recently becoming more and more cautious. One week before the 1990 Rice Producers price decision on the morning of 28 June, there was a meeting at the New Otani Hotel between Michio Watanabe, Hyosuke Niwa, Tsutomu Hata, Koichi Kato, Takashi Sato, Michihiko Kano, Taiichiro Okawara and Hakuo Yanagisawa. Called the "Agriculture, Forestry and Fisheries Ministry's Group of Eight," they virtually manage the agricultural administration in Japan. In the meeting they carefully refined the party's attack and defense strategy on rice prices, but as for liberalization of rice markets, we are told that they "were afraid to discuss it since it is too serious an issue."

Even among the Group of Eight, though, none are so optimistic as to think that Japan can continue to refuse to import rice forever. However, the words and actions of Mr. Yamaguchi and others express their irritation. Mr. Hamada fumed that "The United States and Europe are both heavily protecting their own agricultural industries. People new to the problems in agriculture are saying 'Go on, open up.' And for the United States to get in an uproar and say such things is the same as strangling themselves with their own hands." Mr. Hata recently handed a letter that outlined the agriculture group's opinion directly to the prime minister and Kanemaru, this letter strongly requested prudence on the rice question. Mr. Kanemaru, who is normally a showy person, is prudence personified when it comes to rice.

It is not only the Agriculture, Forestry and Fisheries crowd that is getting nervous about this problem. On 5 July the political and financial people and the intellectuals from Japan, the United States, Europe and Canada who make up a "Four-Pole Forum" had their conference in Japan (Representative Sponsor Saburo Orai, former foreign minister) and before the summit submitted a strategy proposal to the prime minister to liberalize the rice market in Japan. On the proposal were the signatures of Masayoshi Ito and other politicians in the Headquarters for Political Reform. But when this action was reported, Ito was overwhelmed by protests from local farm groups in Fukuoka. Ito was forced to hurriedly explain in an agricultural trade paper that "he did not sign the part that included liberalization of the rice markets." So, among lamentations by young as well as leading dietmen that if "even a man of firm character like Ito could be pressured to the breaking point on this taboo issue, there is no way that I could..." the rice

question continues to be a subject to which the phrase "least said, sooner mended" could be applied.

Prime Minister Kaifu, upon hearing that the Komeito and Socialist Party were advocating deliberation on the rice issue by all parties, revealed that he "would be gratified if all the parties would engage in a discussion." "I would like for the entire nation to discuss it." Thus it would appear that while cautiously testing the waters, we are proceeding in the direction of shaping national unity on the rice question. Evidence of the sentiment that "if we all cross together, we won't be afraid" can be seen from time to time, but within the LDP statements such as "opening the rice market will be equivalent to changing the structure of Japan, and if it is attempted too rapidly the party could break apart" (statement by a leading member of the Kawamoto faction) make for a tense atmosphere. The prime minister will truly be pressed to walk a tightrope to deal with this issue.

* Former Agriculture Minister's Views on Rice Issue

902B0206A Tokyo TOKYO SHIMBUN in Japanese 25 Jul 90 p 3—FOR OFFICIAL USE ONLY

[Interview with Tsutomu Hada, former minister of agriculture, current chairman of LDP Committee for Agricultural Trade Policy by Kengo Suganuma and Naoto Anzai, TOKYO SHIMBUN reporters; place and date not given; first paragraph TOKYO SHIMBUN introduction]

[Text] Discussions have been stepped up in the Liberal Democratic Party [LDP] centering around the issue of the liberalization of rice. Following the statement of Chairman Toshio Yamaguchi of the LDP's Special Research Council on Economic Coordination, which allows partial liberalization, the party's real driving forces such as former Prime Minister Takeshita and former Finance Minister Miyazawa also emphasize the need for a measure to deal with the future liberalization. Considering the rising interest, former Agriculture Minister Tsutomu Hada, current chairman of the LDP's Committee for Agricultural Trade Policy, was interviewed to hear his "anti-liberalization theory."

[TOKYO SHIMBUN] With Yamaguchi's statement as a turning point, LDP members are beginning to hold discussions anticipating future liberalization of rice.

[Hada] I hope that people who have various opinions will come to our committee (for Agricultural Trade Policy) meetings to present their views. I will participate in the discussion. I told Yamaguchi (immediately after he made a statement which allowed five percent liberalization), "if you give out a figure, your counterpart will come back with a bluff (with a higher figure). As I suspected, on the very same day, U.S. Agricultural Secretary Yeutter responded, "five percent is not a meaningful figure." Yamaguchi said, "They mean to give you a tall order." At any rate, we must have compound eyes to look at this issue.

[TOKYO SHIMBUN] What kind of view is missing with the current arguments in the party, if you say we don't have "compound eyes"?

[Hada] First of all, the GATT (General Agreement on Tariffs and Trade) Talks are not only for Japan and the United States. It is a forum for multipolar negotiations, including the EC (European Community). In spite of that, party discussions are driven onesidedly by matters between Japan and the United States, for instance, President Bush's reference to the rice issue.

Besides, rice is only one of several agricultural problems. Although I understand that they cannot treat the Japanese rice as a special category, Japan should openly explain its position as a major grain importing nation. We are able to import a lot of grain because we meet our own demand for rice.

[TOKYO SHIMBUN] Some people point to the impact of the liberalization of rice on the local economy.

[Hada] Yes, that is also very big. In spite of the small population of full time farmers, we grow rice throughout the country. Another thing which we should not forget is the environmental integrity. The less efficient the rice paddies, the higher the environmental integrity can be kept. We may be able to buy rice, but we cannot buy the environmental integrity protective function. After all, negotiations for agricultural products will have a long-term effect on and stabilize the food and the agricultural policy of the country involved. What will happen to the agriculture in Japan once liberalization is introduced? We must be really careful with our deliberations.

[TOKYO SHIMBUN] If we maintain that position, won't Japan find itself standing alone at the Uruguay Round (new multisided trade talks)?

[Hada] No, we won't be alone. Farmers in the EC have an average farmland of 13 hectares per household, and never, in a million years, can compete without a subsidy against Americans who have 150-160 hectares per household. EC people such as Representative MacSharry in charge of agriculture thinks the talks will hardly bring an easy solution."

[TOKYO SHIMBUN] Is there any worry that the EC and the United States will join hands over Japan's head?

[Hada] Representatives and agricultural ministers of some EC countries are asking us, "Can Japan take the heat?" The EC is rather worried that Japan and the United States might join hands.

[TOKYO SHIMBUN] Will the claim, that there is no concession to make, work?

[Hada] Are you kidding? Following the direction of the Uruguay Round, Japan has faithfully accomplished, one by one, the goals that no other country has tried to work

at, for instance, liberalization of beef and oranges, cutting of subsidies, and reduction of prices. Chairman De Zeeuw of the Agricultural group says he appreciates the Japan's efforts.

[TOKYO SHIMBUN] Nevertheless, a conclusion must be reached by the end of the year.

[Hada] During the talks, the logic and ego of the agricultural products exporting nations (such as the United States) and the logic and ego of the importing nations (Japan, some EC countries) are violently colliding. There is no end to their demanding of us to import more, although it may be a self-centered logic of exporting countries. When the talks progress a little bit, can we expect to find some good measures to solve the problem? That,s a tough question. I tell Secretary Yeutter, "I am really racking my brain. You should also pick your brain and come up with something."

[TOKYO SHIMBUN] The main current of the talks is the adoption of tariffs, and the rice is cited as its object.

[Hada] Well, there are matters which can be and cannot be substituted for tariffs. Tariffs are extremely risky. If Chairman DE Zeeuw can permanently serve as a chairman to control tariffs, it will work. However, from the very day when he quits, people will demand a further drop in tariffs.

[TOKYO SHIMBUN] Is phased liberalization feasible?

[Hada] That's the worst dream. If we come down one step, they demand two steps, and if we come down two steps, they demand three steps. Even if we set a time (for liberalization), Japan neither can lower wages to the level of other countries nor fight fairly constrained as it is by its farming scale of 1/13th of the EC.

Post-Interview Impression

Hada, the LDP's real champion of the agricultural dietmen, who served twice as agricultural minister, revealed between his words his enormous outrage at recent LDP arguments surrounding the rice liberalization issue.

In the interview, Hada was most anxious to get his point across that exporting and importing nations have differing opinions and are confronting each other in the talks on agricultural products, and Japan is not isolated in this area.

He cannot stand the recent LDP tendency to grasp the rice issue only within the context of Japan-U.S. relations, and strongly protested to Yamaguchi for his statement: "What are you babbling about in the midst of our serious engagement in negotiations?"

However, Hada, more than anybody else understands the seriousness of the matter, and will undoubtedly become the central figure for domestic coordination, toward the end of the year.

* Problem of Rice Issue Dominates Kaifu Cabinet

902B217A Tokyo SHUKAN JIJI in Japanese
4 Aug 90 pp 48-49—FOR OFFICIAL USE ONLY

[Article by Ichiro Nagata]

[Text] The issue of liberalization of rice imports has surfaced as "the eye of a typhoon." Although the Kaifu cabinet has become more stable, gaining strong public support, the rice issue may cause the fall of his cabinet if the cabinet does not handle the issue properly. It appears to be a heavy "grain of rice".

(honorifics omitted)

"One who laughs at one grain of rice would cry because of one grain of rice." One young member of the Ministry of Agriculture, Forestry and Fisheries *zoku* rages that a movement to overthrow the Kaifu cabinet would occur if the cabinet decided to support partial liberalization of rice import. [Zoku—a group of Diet members who exercise in a particular field policy-making expertise and contacts generally acquired through service as chairman or vice chairman of the appropriate party policy deliberation committee.]

The fact is that the outside pressure toward "liberalization of rice imports" is getting stronger.

At the top level conference between the United States and Japan, which was held prior to the Houston summit, President Bush brought up the rice issue, saying, "I understand the difficulty of Japan's rice issue, but I want cooperation from Japan in order to make the Uruguay Round (a multitrade negotiation) a success." It was the first attempt of a U.S. President to address the rice issue. Japan had speculated that the United States would not annoy Japan before the Houston summit. However, that speculation was wrong. The President's comment shows the U.S. unusual seriousness toward the rice issue.

At the Houston summit, the economic proclamation stated that each leader of the attending countries "should show his political leadership" in order to make the Uruguay Round a success. The purpose of the Uruguay Round is to reduce agricultural protectionism. The sentence, "to consider the interest of food safety security" according to Japan's request, was added to the proclamation. However, it is inevitable that there will be opposition toward Japan's complete rice self-sufficiency theory. That is "Japan would not import one grain of rice from outside."

The Ministry of Foreign Affairs, which attaches importance to the foreign relationship, says that "we do not know how well the rice complete self-sufficiency theory will be understood internationally." "When we think about the national merit of Japan, it will be natural to have some type of counter-measures to meet the situation," (an official of the Ministry of Foreign Affairs). The Ministry of Foreign Affairs is emphasizing the need to change the policy regarding the rice issue.

Among the opposition partie, the Komeito views the circumstances as follows: The Komeito "clearly stated its support for 'food security' in its economic proclamation." "However, 'the De Zeeuw proposal' (a proposal mainly concerned with a tariff barrier) is recommended as a way to strengthen the negotiations from now on." "The situation is getting much more serious. We need to cope with this situation based upon present circumstances," (Kanzaki, political investigation committee chairman).

Yamaguchi's Opinion Violates Taboo and Causes Disturbance

It is certain that the national opinion concerning the rice issue has changed. The frontrunner of that trend is the Komeito. Ishida, Komeito chairman, said that "there is confusion in the rice controversy. A partial liberalization of rice imports will protect Japan's agriculture from a complete liberalization of rice imports, and it will protect a rice self-sufficiency system." He made it clear that the Komeito will accept loosening restrictions on the rice market.

I do not think that Yamaguchi (the Liberal Democratic Party [LDP] Special Research Council on Economic Coordination chairman) was influenced by the Komeito's attitude, but Yamaguchi said that "rice, similar to cherries, has powerful international competition. Within the next several years, we cannot avoid liberalization of the rice market within the range of approximately five percent of domestic demand (approximately 50,0000 tons). We have to tackle the problem and come up with a consensus." Yamaguchi's opinion caused quite a stir. The confused LDP released opinions expressed in conversation by General Affairs Chairman Nishioka. He stated that "Yamaguchi's opinion contradicts the LDP plan to support complete self-sufficiency of domestic rice needs." The LDP tried hard to eliminate the stir caused by Yamaguchi.

In response to the LDP announcement, the national farmers agri-political movement organization committee sent a written protest. The protest claim is as follows: "Less than six months after the general election, the LDP has discarded the public pledge of a rice self-sufficiency plan. The LDP announcement is a betrayal of the farmers who voted for LDP candidates in spite of their disagreement with its agri-political policy."

"Liberalization of the rice market is a taboo issue for the LDP," (an LDP leader) and has been the party's stance.

A member of the Diet, who was elected from an agricultural area, has the following strongly held opinion: "we won't be able to win after being criticized by the public for the consumption tax issue, and then for the rice issue," (Abe faction leader).

Even so, Japan cannot avoid criticism from other countries, if the present situation is prolonged. It would be very difficult to handle the Uruguay Round, where it is hoped that an agreement can be reached within this year. One can well imagine Japan's isolation in international circles.

The Rice Issue Is Becoming a Much Bigger Political Challenge Than the Consumption Tax Issue

For Kaifu, the rice issue has become one of the most important political tasks.

Kaifu has kept a cautious attitude toward the rice issue, obfuscating his position.

Nishioka, "a close associate" of Kaifu, advised him that "it would be a serious problem if he mishandled the rice issue."

The LDP leader, who is in charge of policy-making, emphasized the seriousness of the matter and said "there is the problem of how to deal with the Diet resolution to oppose liberalization of rice imports, an issue on which both the government party and the opposition parties agree. In order to alter the Diet resolution, the cabinet may either resign, or make the Diet resolution on rice imports a political issue and call a new election."

An opinion of a city dietmember regarding the Diet resolution is as follows: "The Diet resolution is not absolute. Since there was an election and we got some new Diet members, we should reexamine the issue from a new point of view." However, the issue is not that simple.

One can put the Komeito into a different category, since the party has been reexamining its party policy. The other opposition parties however, will certainly insist on holding on to the Diet resolution, looking forward to next year's unified local election. At this coming fall's special session of the Diet, the reexamination and settlement of the consumption tax issue will be the first priority to be discussed. An LDP leader's opinion is that "there is no room for the rice issue."

There is the following speculation: "The United States and the EC are going to have a discussion concerning agricultural produce. The discussion will be prolonged. If so, discussion of Japan's liberalization of rice imports will be postponed another year," (a leader of Abe faction).

However, to look at the other side of the speculation, "If the United States and the EC reach a conclusion, then Japan will be the focus of international criticism. It is certain that the rice issue will be considered at that time," (a leader of Takeshita faction).

Kaifu should not be optimistic. Leaders of the Abe faction decided to become on-lookers, to see how Kaifu deals with the problem by saying "ultimately, the prime minister's decision should count." It seems to me that there is expectation of an opportunity to overthrow the Kaifu cabinet by the Abe faction, if Kaifu demonstrates poor leadership in handling the rice issue.

The Kaifu administration which presents the image of being "the administration which thinks of the consumer," is facir , a new challenge.

* Choices To Be Made in GATT Negotiations

902A0258A Tokyo NIHON KEIZAI SHIMBUN in Japanese 23 Jul 90 p 3—FOR OFFICIAL USE ONLY

[Interview with Asia University professor, Kenzo Izumi by Nikkei Tokyo economic division deputy chief, Masao Shimada; place and date not given]

[Text] The GATT Trade Negotiations Committee (TNC) are to begin in Geneva on the 23d. Its aim is settlement within this year of the multilateral trade negotiations (Uruguay Round), which would mean widespread agreement in over 15 different areas. But ever-continuing differences on agriculture between Japan, the United States and European nations is still the largest point of contention and it is difficult to predict what direction the negotiations might take. I asked Asia University professor Kenzo Izumi, who is very knowledgeable on the subject of agriculture, what position Japan should take when going into these talks.

Negotiations on Customs Duties

[Shimada] What direction do you think these agricultural negotiations will take?

[Izumi] The main issue in this round of talks will be dealing with "customization" proposals, which means substituting of barriers to the import of agricultural goods with customs duties, which will then be reduced. Each countries' thoughts on this are varied, but even if the question of to what extent protection reductions will be made remains, I think that ultimately things will proceed in the direction of this proposal. Even the United States and Europe, who appear sharply at odds on this issue have room for compromise this time, in contrast to previous rounds.

For example, the European Community indicates its unwillingness to abolish export subsidies as the United States is requesting, but in reality the EC itself which, under the common agricultural policy, has a policy of providing subsidies, wants to reduce them gradually. Currently, while prices on international agricultural products happen to be rising, they are able to maintain this subsidy policy. But the fact is that as the number of member nations increases, it becomes a real financial burden. All in all, regardless of the content of customization or export subsidy reductions, it will probably amount to an attempt to straighten up these matters in form only.

[Shimada] In such a case, then, wouldn't it be possible that Japan might isolate itself by not going to the negotiation table because it is stuck on the "rice import ban"?

[Izumi] Japan has tried to be Don Quixote in these talks before. We have pushed forward too much on specialness of rice and have left other countries who import similar agricultural products such as northern Europe, Switzerland, and Korea behind. It is as though we are fighting a battle by ourselves, and if the United States and Europe do reach a compromise, our isolation will be unavoidable.

Furthermore, whether agricultural negotiations will make progress or not will influence the direction of the Uruguay Round as a whole, the aim of which is promotion of the system of free trade. If Japan puts great effort in the agriculture industry and breaks that down, we may receive a lot of international criticism. Even domestically the agricultural industry will get a general scanning. That is the most alarming thing.

[Shimada] So Japan has little choice but to go to the negotiation table even to discuss the rice problem.

[Izumi] It is clear that Japan's position at the Japanese-U.S. summit meeting of "not importing even one grain" will not hold, so we should enter into negotiations with the position of partial opening, which includes an improvement in the food management system. First we should indicate our willingness to negotiate on rice and then get down to the hard contents by the end of December. If we are pressed while resourceless, it would really be bad.

First Start With Imports at Two Percent

[Shimada] What sort of scenario do you imagine?

[Izumi] It is a fact that how much to import is difficult to determine because the amount of domestic consumption of rice will continue to decrease. I myself believe that initially, of our domestic production, approximately two percent could be imported to start with, and then think in terms of a 10 to 15 year schedule. In such a case, while making efforts not to increase subsidies for land areas turned to other production, we should gradually reduce government price supports. I think that we should examine how to combine import volume limits and customs duties. Only, I would like the government to watch carefully the continuing decrease in rice consumption, accompanied by the fall in the number of rice farming families due to their advancing age.

Food Security Not Limited to Rice

[Shimada] Will rice farming families survive?

[Izumi] Family rice farmers should not be wiped out nor will they be. The present competent ones will remain. In the end, it is desirable that the 250,000 to 300,000 farming families who have changed to large-scale production will be in control of the market.

[Shimada] Shouldn't we also take into consideration guaranteeing food for national security?

[Izumi] Economic declarations that food security would be kept in consideration were included in the summit of developed nations, but that was probably only so that the Japanese Government could save face. It did not obtain agreement on the insistence that Japan "would not import one grain," but on the contrary, despite efforts on the part of Japan's Government, it only made clearer the fact that the intensity of the atmosphere surrounding the rice issue has not changed.

However, food security is important. And to that end we must change our farm policy which leans so heavily on rice and think in terms of nurturing the entire agricultural industry the way we would any other industry. Then, there will be no question that reserves of food and resources will be funded according to need. For the most part, our way of doing things until now has been one of decreasing financial disbursements while increasing the burden to the consumer, which I believe is contrary to the interests of food security."

* Series Examines All Aspects of Rice Problem

902B0269A Tokyo ASAHI SHIMBUN in Japanese 17-19, 21, 22 Sep 90—FOR OFFICIAL USE ONLY

[Series of articles by ASAHI SHIMBUN staff: "Rice, The Compass Needle Is Wavering"]

[17 Sep 90 p 1]

[Article by ASAHI special correspondents Yasuo Muramatsu and Kenji Takeuchi in Washington]

[Text] **Burden-Sharing Argument At Base of U.S. Demand; Urging Initiative In Support of GATT System**

Secretary of Agriculture Yeutter, back from a tour of Japan at the beginning of this month to press for the opening of the rice market, did not erase his smile in speaking to reporters: "There was a good atmosphere in Japan. My feeling is one of cautious optimism."

Plan Established Since 1986

According to Deputy Representative Kurtz, who is responsible for the GATT (General Agreement on Tariffs and Trade) Uruguay Round (new multilateral trade negotiations) at the Office of the United States Trade Representative (USTR), "I don't expect rice to become an obstacle to the GATT negotiations. There are positive signals coming from Japan, aren't there?" His words suggest that the rice problem, long treated as "sacred ground" by both Japan and the United States, may have been settled.

That the rice problem, which existed in the background of economic friction between Japan and the United States, has jumped to center stage is not such an old story. In September 1986 the U.S. Congress raised its voice in criticism of Japan pressured by by the U.S. Rice Millers Association (RMA). Since then, after the passage of Article 301 and the U.S. trade law in the middle of the 1988 presidential election, the Japanese Government and the Liberal Democratic Party (LDP) have established plans—through various means including "special envoy" diplomacy—to help the U.S. Government to reject petitions and to quiet demands for market opening when the Congress and the RMA raise problems. In U.S. political circles, the English word "rice" is called by the password "the R word." For the United States, which puts a priority on relations with the LDP, it was a worrisome pronoun not to use carelessly.

However, the U.S. Government's thoroughgoing, long-range strategy to break the special character of the Japanese market through the opening of the rice market in fact commenced with the rejection of the first suit four years ago. The [timing of the strategy] is the settlement of the Uruguay Round ending in December of this year. One is right to say it is a clever device, one that takes into account that it is difficult to demolish the Japanese Government's pretense of rejection [of market opening] due to domestic political demands, that seals off Japan's exits in the international framework, and tries for a kind of "soft landing."

Operations in Political Circles "Achieve Results"

Former Prime Minister Takeshita declared in a speech to the Japan Reporters' Club in June of this year that, "As the debates of the Uruguay Round are broadcast, a change in the domestic opinion (on the rice problem) is possible," sending shockwaves through both the ruling and opposition parties. U.S. authorities point out concerning this declaration the fact that Secretary of Agriculture Yeutter requested just beforehand that Takeshita—who had displayed his influence in the compromise on the Japan-U.S. structural problems conference [the Structural Impediments Initiative]—play a role in the rice problem as well. It is the result of U.S. Government operations directed at "Nagatacho" that have grown lively since the LDP's great victory in the February general elections.

It was with President Bush referring to the "R word" for the first time in the July bilateral summit that Japan's political circles were seen to begin wavering.

For U.S. agriculture, centered on wheat and corn, rice is a marginal issue. If one takes the point that rice is the symbol of the closed and special nature of Japan's market with a grain of salt, the rice problem exists only "on the margins" of U.S. trade policy, according to a senior USTR official. Now, however, when there is less than three months to reach a consensus in the Uruguay Round to demolish protectionist barriers and aim for a freer trade system, the United States is beginning to speak of the rice problem having a special importance.

Secretary of Agriculture Yeutter says that, "The success of agriculture negotiations is essential for the success of the Uruguay Round. For that, we must achieve a certain opening on rice." This is the message that I wanted to convey to Japan.

Negotiations That Can't Fail

In the Uruguay Round that began at the call of the United States, the international prestige of whether or not the United States can lead the world's trade system in the future is involved. However, there is not necessarily agreement within the United States for the strengthening of the GATT system. The politically powerful textile industry is calling for the continuation and strengthening of protection. Machine industries such as automobiles that were once the main force in support of the GATT system are determined to stem Japan's attack and are turning a cold eye to the Uruguay Round. If the agriculture, service, and high-tech industries can be said to support the Round's progress, there is a delicate balance.

The U.S. Congress, under the direction of the opposition Democratic Party, is strengthening pressure for protectionist trade. For the Bush administration, which has made the Uruguay Round the highest priority of its trade policy, these are negotiations that can accept no failure. Therefore, the Japanese position of continuing to reject opening rice in agriculture negotiations looks like irresonsibility likely to wreck the GATT system as well as a lack of cooperation.

Senior U.S. Government officials including United States Trade Representative Hills all make the same appeal: "Japan, which has most benefited from the GATT system, should take the initiative to move the Uruguay Round forward. Won't Japan be the one to suffer the most from the failure of the Round?"

Such talk is a tactic to press the opening of the rice market, but the rice problem is becoming a liability and there is certainly spreading a feeling resembling irritation toward Japan that it never acts in earnest in the Round.

Toward the Japanese Government's lacksadaisical response to the Persian Gulf crisis, people in the United States are openly critical: "Japan is not discharging its international obligations." In the U.S. demand to open the rice market as well is the same basic argument of taking on international responsibilities.

[18 Sep 90 p 1]

[Article by ASAHI reporter Katsuyuki Yakushiji]

[Text] **Exclaiming "Argmument of Special Character" In Loud Voice With No Strategy; Severity Toward Heightening Opening Demands Hits Home**

In the political reform put forth by the Liberal Democratic Party (LDP), there is a theme that appears untouchable: the gap in one vote between cities and rural areas.

"We should give priority to setting the number of dietmen in the regions. In Diet resolutions as well, are there not passages that show consideration for the rural areas?""

"Within the party it is strange to set the number of dietmen by population alone. The feeling is strong of, 'Isn't the voting rate in the cities low?'"

In a room at LDP headquarters, such exchanges took place the afternoon of 31 August even when such leaders of the LDP Political Reform Headquarters as Chairman Masayoshi Ito and Deputy Chairman Masaharu Gotoda were gathered together.

The report of the Election System Council recommends a revision of the numbers in the Diet lower house where there is "a gap between electoral districts of under 2 to 1," but criticism is mounting with the LDP that "it is too harsh for the rural areas." Rural electoral districts are a source of stable Diet seats for the LDP, so a sharp correction of the gap is likely to bring a reduction in the number of LDP seats.

Policy Aimed at the Farm Vote

That the LDP until now has put forth a policy favoring rural areas as an insurance policy for its Diet seats is certain. Representative of this is a protectionist policy for agriculture, in which "rice" has been given an important place. Last year, close to the time of the general elections, "opposition to rice liberalization" was stronger than before and the LDP put forth in quick succession such measures as maintenance of rice producer prices and a three-year freeze on acreage reduction. It was a straightforward policy aimed at the farm vote.

Is it that the LDP relies so much on the farm vote? The approximately 6 million farm households in 1955 had fallen to approximately 4.2 million in 1989; approximately 80 percent of that number grow rice but no more than 420,000 do so exclusively. The farming population of approximately 36 million in 1955 has fallen to approximately 19 million in 1989. Also, yearly rice consumption per capita has shrunk from a peak of 180 kilograms in 1962 to 70 kilograms in 1988. Although the political power farming villages possess should clearly be falling, why are politicians stuck on "rice"?

Takami Eto (Miyazaki First District), a senior agriculture and forestry *zoku* and a cabinet member at the time, lost his seat in the February general elections. In last July's upper house elections, a part of Eto's support organization supported a candidate in opposition to one the prefectural Nokyo Agricultural Cooperative Central Committee was supporting. The result was that the opposition candidate made off with the seat the other two were fighting over. "The bitterness remained, so the Nokyo gave us only pro forma support in the general elections, but in reality worked on small and medium businesses not to cooperate with us," according to a source close to Eto.

With the reduction in the farm population and the change in its income structure, a senior LDP Election Committee member says that, "Nokyo ability to get out the vote is not what it used to be." On the other hand,

Tokyo in recent years has moved into finance and insurance enterprises and has come to have new influence in the rural economy. A National Agriculture Cooperative Central Committee officer boasts: "We can't put a particular candidate in office, but we can make him lose." A politician for whom elections are his life cannot rely upon salaried office employees and consumers, who are "like grains of sand," in the words of former Prime Minister Nakasone. Therefore, they cannot move their base of support.

Deep-Rooted "Agriculturalism"

However, are the Agriculture Cooperative and the farm vote all that the politicians fear? The opposition parties with the exception of the Komeito, who do not earn much support from the Agricultural Cooperative, take the same line of argument on rice as the LDP. Even Japan Socialist Party Chairman Doi made the LDP and Agriculture Ministry happy when, talking to U.S. Secretary of Agricutlure Yeutter in August, she told him that, "Rice is the soul of the Japanese, our culture and history," in rejecting his demand for market opening. When it comes to "rice," it is the Imperial Rule Assistance Association [a reference to the union of the various political parties to support the empire during Japan's war in Asia in the 1930's and forties].

It is not only rural dietmen who see "rice" as special. Kenichiro Sato (Kanagawa Fourth District), a 43-year-old dietman who hails from a district in the large city of Yokohama, speaks: "When you think that the history of rice reaches back 2,000 years, is it all right for politicians of a certain era to decide on market opening? Rice seems to possess a mysterious power. I, too, shrink back from it." Here one can see the "agriculturism" deeply engrained in the Japanese.

Bound Hand and Foot

Within the LDP, on the occasion of former Prime Minister Takeshita and former Finance Minister Miyazawa's flexible declarations, the debate on rice grew energetic for a time in July, but is now completely in decline.

Shintaro Abe: "Exhausting every method, we will prevent liberalization." Michio Watanabe: "The whole country must join together in unity." Toshio Komoto: "The Diet resolution against rice liberalization is a heavy one."

The words were all of a piece that came back to senior agricultural organization officials including Central Union of Agricultural Cooperatives Chairman Miji Horiuchi, who visited LDP leaders from the end of August to the beginning of September lobbying against liberalization.

However, many dietmen are beginning to feel the difficulty of continuing with the argument that rice is "special." A middle-ranked LDP dietman says that, "When I am asked by farmers whether I can really protect rice, I answer that I am in a difficult position. However, I never give the slightest indication of that before large numbers of people such as assemblies." If they return to the countryside, they come under pressure from agricultural groups such as the Nokyo Agricultural Cooperative unions. The words of a leading agriculture zoku that rural dietmen "are in a state of being bound hand and foot" with the restrictions because of next spring's unified local elections and further with the weight of the unanimous Diet resolution "against liberalization." A faction leader says that, "I also plan to continue saying I'm against opening the market, but if the time comes the party will have to express a policy response." In the situation at hand, as there is no "strategy," the "special argument" is being exclaimed in a loud voice.

[19 Sep 90 p 1]

[Article by ASAHI reporter Eiichi Otsuka]

[Text] **Argument for Self-Sufficiency a Barrier, Unable To Sketch Scenario; the People Unable To Read "Influence," Little Basis for Decision**

If Japan opens the rice market, what method can be considered and what effects would emerge?

In the Ministry of Agriculture, Forestry, and Fisheries (MAFF), which argues at home and abroad for a policy of self-sufficiency, there is no scenario for opening the market: "We will maintain a necessary level of domestic production." There is also the Diet resolution against import liberalization. At the political level, the argument that Japan "will not allow in a single grain" continues, so it is a difficult situation in which to predict even a hypothetical scenario. In such a case the solution would lie with the other ministries and agencies as well as the popular view. However, is this also an argument for opening or protection? The contents differ completely.

Direct Opposite of Result Predicted

What is depicted as a representative example of a realistic opening scenario is "A Market Opening Policy For Rice Using Tariffs," published this summer by the economists' research organization, "The Policy Structure Forum." Venturing into partial opening from 1992, the plan would replace nontariff barriers with high tariffs—as the United States argues—in 1997, then lower them in stages.

On the one hand, the Forum turns its eyes toward the positive: this plan incorporates a reduction in the rice price with its large foreign and domestic gap, so it involves the withdrawal of low-productivity rice producers and a fundamental structural reform in the production of Japanese agriculture. Aoyama University Professor Sukejiro Hayami, one of the sponsors of the proposal, says: "(Under the proposal), in the year 2007, the tariff on rice would go down 100 percent, but the rice going over the tariff and entering the Japanese market would be 50,000-60,000 tons a year centering on processed products and would have no great effect. The

advantage to reduce the domestic-foreign price gap would be greater." Against this, the National Agricultural Cooperative Union Central Committee, which holds aloft the banner of "Complete Prevention of Market Opening," in its analysis consigns to the academics's plan the effect of domestic production of the staple rice dropping with the inflow of foreign rice. The Union puts an indirect check on moves toward market opening: "Market opening will not only have a great effect on agriculture but on the entire Japanese economy." This analysis, which used the inter-industry relations table, calculates a reduction in production value across a base of all industries of 594.4 billion yen and of 80,000 people employed in the case of a market opening of three percent of the demand for rice. In the case of a 10 percent opening, based on calculated results of approximately 1.98 trillion yen in reduced production—with 1.6 trillion of that in such non-farm sector industries as service, mining and manufacturing industries—the analysis concludes: "It is dangerous to argue the problem of opening the rice market soley within the framework of agricultural policy."

Calculation That 1.1 Million People Have Left Farming

The Ministry of Labor's "Research Council On the Agricultural Sector's Changes and Labor Problems" put together the following report. It calculated what would happen if the producer price for rice (the price at which the government buys domestically produced rice) were to fall to 12,000 yen per 60 kilograms (it is currently 16,500 yen). It was calculated in that case that, whether they tried to make up the loss in income with employment outside agriculture and expansion in the scale of their planting or advanced their productivity and expansion in scale to respond to the low rice price, approximately 1.94 million farm households would be seriously effected. Those individuals engaged in agriculture forced to quit farming would be approximately 1.1 million. Even in the purest case of farmers whose costs exceed the rice price abandoning rice cultivation and working in other industries, it is calculated that 330,000 people will leave agriculture.

This analysis is not premised upon market opening, but the research goal is to investigate the changes in employment structure due to import liberalization of agricultural products. That "opening of the rice market" is in the background is the "silent premise." In fact, the report was finished in October of last year, but due to the judgment that, in the words of a Labor Ministry source, "it is dangerous to have the contents stand alone," it was treated as an internal document and even now has not been published.

Bureaucrats "Caught in Their Own Trap"

Where the opening of the rice market is involved, each ministry and agency is what one can think of as extraordinarily nervous concerning policy studies. In this position, an LDP dietman who was a Finance Ministry bureaucrat recalls the ministry around the time of the "Nixon shock" when [then President Nixon] shocked the world in 1971 by halting the convertibility of the dollar.

The dietman is embarrassed: "A rise in the yen will hinder exports and strike a severe blow against Japan, which is built on trade. 'One dollar must be worth 360 yen.' That was axiomatic. It was completely impossible to have an argument that entertained any doubt about it. Wishful observations that did not directly look at reality were dominant. In the sense of crisis management, it was the lowest priority." In the end, Japan was compelled two weeks later to move provisionally toward a floating exchange system, but the position of the Agriculture Ministry in clinging to the axiom of "self-sufficiency in domestic production of rice" and stifling debate resembles that of the Finance Ministry at that time.

A leader of the Agriculture Ministry, while saying that "it is not a question of instituting a gag law in particular," reveals his true intention when he says that, "if a rumor surfaced that our ministry was doing policy research premised on opening the market, it would be used politically. It would be passed around that even though there's a government policy of rice self-sufficiency the Agriculture Ministry has set off toward market opening."

Here is a government that, unable to take the first step away from the rice self-sufficiency argument and unable to construct a new strategy, has fallen into its own trap. The result is that there are few materials with which to judge the rice problem. Can we not say that it is a misfortune for the people that the debate is poor?

[21 Sep 90 p 1]

[Article by ASAHI reporter Naochika Suzuki]

[Text] **Farm Policy Reform Hidden in Argument for Opening; Deep Distortions in Successor Difficulties, Acreage Reduction**

This year, important agriculture statistics that had continued for 27 years disappeared: "Trends in New Graduation of Farmers' Children, Younger Brothers."

It was the Ministry of Agriculture, Forestry, and Fisheries' statistics that charted the advance of farmers' children who graduated middle school and higher each March. In the final survey last year, only 2,100 of the 563,000 graduates went to work in their own household's farm as their main occupation. In 1963, when these statistics began, the number was 89,800 of 1,284,700 new graduates. The ratio has now fallen sharply to under one in 40.

Sharp Fall in Youths Employed in Agriculture

Concerning the abolition of the statistic, the MAFF Statistics and Information Bureau emphasizes that, "It is not that we are viewing lightly the problem of succession. The employment structure of agriculture is changing. We decided that it is appropriate that they be included in agricultural employment trend surveys including the U-turn from the cities and those who enter agricultural

employment after reaching retirement age." But when asked the reason the bureau quit publishing them as independent statistics: "New graduates are not as important a supply source of farm village labor as in the past. We decided on abolishing the statistics among ourselves with the understanding of the related departments involved."

Expanding the scale of rice cultivation and realizing low cost production is being emphasized as a survival policy with its sites fixed on opening of the rice market. For this, agricultural land must be consolidated for farmers who occupy the pivotal role, but in reality the number of youths who will enter into large-scale, full-time agriculture is falling sharply. The core farmers who have taken on debt for land improvement and large-scale introduction of machinery are passive toward a rapid expansion in scale. Some farmers even speak of their efforts scornfully: "We wonder whether we will import foreign rice or not. But this way, even if we give up, Japan will come to rely on importing rice."

The town of Yuri in Yuri County is a representative production district of Akita Sasanishiki rice. Full-time farmer Nobuo Takahashi, who also serves as vice chairman of the prefectural Nokyo Agricultural Cooperative Youth Conference, went from the local agricultural high school to Tokyo Agricultural University. He returned home eight years ago at the age of 23. He has grown Sasanishiki and Akitakomachi rice in his parents' six hectares of paddy. Other than that, he has been entrusted with the management of 1.7 hectares of paddy.

The population of the town is approximately 7,000. Approximately 1,000 households farm rice, but only 28 of them are full-time farmers. After Takahashi, there have been no newly graduated youths entering farming full time.

"Rengo" Authorities Surprised

The problem of successors is not the only difficult problem burdening farming villages. When the Food, Agriculture, Forestry, and Fisheries Division of Rengo (the Confederation of Japanese Labor Unions), in order to make new policy demands geared toward agriculture, surveyed farmers this month on the 5th and 6th in Fukushima Prefecture's Koriyama City, they heard a succession of plaintive voices, one after the other.

A full-time farmer in his forties: "I'd like to expand, but new land has acreage reductions on it. I don't see the use in expanding."

He continued: "The number of full-time farmers in the villages is, in fact, only half that in the statistics. They are mostly aged people. At this rate, it will simply become an unprofitable second job."

A part-time farmer in his thirties: "I farm on holidays, mornings, and evenings. I'm asked by my children why I don't take a rest. As it is, the income from farming disappears in paying for the machinery."

An official of Rengo's executive office does not hide his surprise: "I was startled. The essence of the rice problem isn't a problem of opening the market or such. It was the difficult problem of what we will do about Japanese agriculture."

Now, however, what is outstanding is that what one can hear from agricultural organizations is an emphasis on maintaining the present situation—"Block Absolutely Market Opening"—rather than voices demanding a broad reform of agricultural policy.

Zenchu (the Central Union of Agricultural Cooperatives) is developing nationwide a "message movement" sending letters from farming villages to urban residents and demanding their support. By the end of August, the movement had sent approximately 840,000 pieces of mail. Acting in parallel, Zenchu had 1,473 city, town, and village councils as well as 43 municipal and prefectural assemblies adopt petitions and appeals to block market opening. Zenchu is also planning a nationwide outdoor gathering and demonstration parades in Tokyo for the end of the month.

Mr. Takahashi of Akita Prefecture is also playing a supporting role in his prefecture's movement, but he reveals his heart: "Even if we don't open the market, there are few farmers who think that agriculture is going in a good direction. If we were to tackle the rice problem actively, we probably should assume various scenarios and refine counter policies. But binding everyone together, 'it has to be absolute opposition.' In the future, everyone understands that we will not be able to make a living at agriculture, but for some reason it winds up being a movement where everyone believes he may survive."

Choices Necessary for Farmers

Postwar agricultural policy, which began with the opening of farmland, has spent its energy trying to find ways to support the innumerable small-scale farmers born since then and the farming villages that exist because of them. Professor Yasuhiko Tadakore of Chiba University advocates a switch in policy: "As an industrial policy it has been a complete failure, but with a policy of high producer rice prices and technology renewal even aged part-time farmers have been able to continue growing rice; an unexpected result has appeared. In short, the failure of the industrial policy has given birth to success in a welfare policy for farm villages. But now the aged farmers are steadily retiring. It is precisely now that we should advance an agricultural policy for rice as an industrial policy."

To do that, work on a severe winnowing out of farmers by the scale and condition of their enterprises and ability is inevitable. "Expendable" farmers will probably react fiercely. It is unmistaken that, through a complete cleansing of such postwar farm policies as the farmland system and the supplementary funds system, there will be a huge debate.

The resolution of Japanese agriculture's various distortions seen through the prism of "rice market opening" will not be easy, but it cannot be avoided.

[22 Sep 90 p 1]

[Article by ASAHI reporters Eiichi Otsuka, Naochika Suzuki]

[Text] **Complicated Design Covers Compass; Foreign Pressure and Domestic Pressure, Cities and Farm Villages—Wide Range of Opinions**

Even though the course has not been set, or whether because it is not set, opinions about rice are running in various directions.

Enough of the U.S. Side's Will

As though it may have been planning the timing, the U.S. Embassy in Japan this summer established—along with the "U.S. Rice Information Service," the window into Japan of the U.S. rice farmers and millers who compose the National Rice Conference—an investigative committee to hear the opinions of Japanese. The first conference took place in a hotel in Tokyo on 28 August, right after Secretary of Agriculture Yeutter had ended his tour of Japan when he pressed for market opening. The embassy explained in detail the circumstances for U.S. rice cultivation and that it was putting effort into advertising American rice in newspaper announcements, expressing fully its will to particate [in Japan's rice market].

However, Tatsuma Kujiraoka, former general manager of the Kokufuda farm that produces California's high-quality brand "Kokuho Rice" on 2,000 hectares of paddy south of San Francisco, was skeptical about exports to Japan. After crossing over to America 36 years before, he has continued growing rice.

"The result of international negotiations is that, if Japan opens its market, the U.S. Government will have to abolish its subsidies for rice production. If that happens, the price, which even now is double that for Thai rice, will have to rise to four times that price to make a profit. However, with this we will lose the market and many of us will not be able to continue production."

General Trading Companies Laying Foundation

A factory [to produce rice snacks], "Crispy Snacks," was completed in a suburb of Bangkok in the first half of this month. The factory, which is set on 4,350 square meters of land, is a joint venture between the local subsidiary of the Tomen general trading company and a Thai food processing company. Starting in October, the factory will produce 100-120 tons of arare and kakimochi [TR: two types of rice snacks] a month and ship the product to Europe, the United States, and Australia, where demand is rising.

As far back as 15 years ago, Tomen was selling Thai rice to such places as Nigeria and the Middle East but withdrew due to the fact that the profits were small and there were many additional problems such as transportation management. After that, the company put its efforts into an enterprise to process California rice and Thai glutinous rice into arare; the new factory was in line with those efforts.

Tomen is searching now for ways to sell rice from Myanmar (Burma), Vietnam, and the United States to the Middle East and Latin America. Food Division Director Haruya Koyama relates that, "For the time being, there will probably be no market opening in Japan, so it is only laying the cornerstone with third-country sales. If we grasp the lead in supply, soon enough there'll be a market for normal rice...."

General trading companies are seized with the commercial spirit, but concerning rice in particular, all are loath to talk. An official of Mitsui Bussan, which handles a broad range of cereals: "Rice is a political problem, not an economic problem. No comment." An official of another large general trading company: "At the point of partial opening, looking at the examples of oranges and beef, the possibility is great that the government will put it under unified control in the food control law and apportion its handling among the general trading companies. If that happens, foreign food and cooking appliances will be more attractive."

But there is reason to expect that interest will rise. At Kujiraoka's place in the United States, mingled with the requests of those involved in Japanese agriculture, inquiries come frequently from a number of Japanese general trading companies that "would like me to inform them of the grain situation in the United States."

Escalating Production Competition

Kyushu: Warm weather this year intensified the production competition for "super early Koshihikari rice" to be shipped in midsummer. The price fell from the year before by 200-300 yen for 60 kilograms. It is the result of competition in high value-added rice.

Akitakomachi, Tsugaruotome, Kirara 397 [high-quality rice brands].... Amidst the continuing debut now of new brands, what is attracting the attention of those involved is the "Tohoku No. 143" developed in Miyazaki Prefecture and slated to appear on the market starting in 1992?

It is a new variety that is an improved combination of delicious Koshihikari and Hatsuboshi. "It's in the testing stage, but the taste leaves the others behind and it is strong in cold weather, too." Those involved with rice in southern Tohuku, who feel pushed by the popular Koshihikari, are filled with hope that this is "the next hope." As part of Kirin Beer's multisided strategy in food and drink enterprises, the company completely sold by this spring some two tons of Indica rice—"rice for curry and pilaf"—that it released for sale last fall. The company, in cooperation with farmers, intends to sell 40-50 tons of

the long-grain rice originally produced in Southeast Asia this year. The situation is one of "already having decided on the sales."

There is the approval/silent recognition faction: "Rice is too expensive." "I want freedom of choice." "We must think of Japan as being in the world."

There is the opposition faction: "The safety of imported rice is unsure." "Protect self-sufficiency in our staple food." "The nation should protect the farmers."

In a public survey of 1,000 people that the Tokyo Municipal Consumer Center conducted in June of this year, 62 percent responded positively—"I approve of rice import liberalization"; "I approve of partial liberalization"; "Partial liberalization is inevitable"—greatly surpassing the 29 percent "against liberalization." The survey results were from the cities close to "change" for rice, but there is no doubt the results would have been different from the farming villages. In the survey of Tokyo, the fact that the top argument against liberalization was not protection of the farmers or the argument for self-sufficiency in the staple food but reflected the problem of safety speaks of that.

Pretense and real intention. Foreign pressure and domestic pressure. Agriculture and manufacturing. Cities and farm villages. The complexity increases the opposition to opinion in an atmosphere of "rice is taboo." It covers the compass. Eventually, we have to discover a direction in which to steer.

* Rice Liberalization Will Release Farmland

902A0277A Tokyo SHUKAN GENDAI in Japanese 11 Aug 90 pp 192-195—FOR OFFICIAL USE ONLY

[Article by Kenichi Omae]

[Text] **Third-Phase Rice Farmland Release Will Solve Land Problem at a Stroke; Bold Analyses and Proposals Are Made Concerning Japanese Problems and World Trends**

Agricultural Liberalization Will Increase Land Supply

A world without borders, such as national boundaries and barriers, is now emerging. When information can be exchanged actively across national borders, as at present, consumers are able to select good and cheap products freely from all over the world. Companies are then compelled to supply products which meet such demands. The situation will evolve where consumers, who have become stateless, and global enterprises, which are trying to keep up with them, will steadily lead the world together without regard to national boundaries. In my previous work, *Heisei Restoration* (publisher, Shosha), I proposed what Japan's position should be in such a borderless world. It was also a suggestion for Japan to sweep away the negative heritage (residues of a developing country, a closed country) to meet the minimum prerequisite to becoming a leader among the advanced nations.

However, the Japanese Government and bureaucracy still do not understand the new world. That is also true of the rice situation which has become a problem today.

Recently, the statement by Toshio Yamaguchi, chairman of the LDP's Special Research Council on Economic Coordination, that rice will be liberalized to the extent of about five percent of domestic demand has aroused public criticisms. No serious discussions have been held on this point. No changes have been made in the position that not even a grain of rice will be imported. With the excuse that this is "Japan's special circumstance," the government has not prepared any countermeasures. Even major newspapers report influential leaders' statements only as items of interest and have shown neither self-assertiveness nor world perspective. The world trend is not understood at all.

Well, as far as the rice problem is concerned, I have asserted repeatedly that it is tied to the land problem. To state it clearly once again, agriculture and fishing in the vicinity of large metropolises should be liberalized. If liberalized, changes are sure to occur. In effect, persons who think that agriculture is profitable on the world's highest-priced land will continue to farm while persons who believe they cannot make a go of it will quit. Naturally, there will be an increase in the supply of land which has become unprofitable by economic standards. Eventually, farmland in metropolitan outskirts will be released to salaried workers. I have called this the "3d-phase rice farmland release." Whereas the 1st- and 2d-phase farmland releases were from large landholders to tenant farmers, this is from farmers to salaried workers. Furthermore, the receiving side will bear all expenses and since this is a mass movement with beneficiaries constituting over 70 percent of the population, it will closely approach the democratic ideal of "the greatest happiness for the greatest number."

On the other hand, since there are places in Japan where only rice can be grown, persons affected should go to GATT negotiators and claim that, "we have these industrial structure problems so we want to protect these areas for rice."

However, I do not think it is necessary at all to protect farmers in the vicinity of large cities. Basically, there shouldn't be any farmer in the vicinity of Tokyo with assets below Y100 million. The idea that such people should be protected is ridiculous to say the least. In a country where there is no protection for laundries which go bankrupt, why should protection be given to farmers who fail? Also, making an issue of the expected drop in the self-sufficiency rate because of liberalization is a falacy, it could be argued that food security would actually be increased even if the self-sufficiency rate were to decline by 30 percent. There is little fear since, in reality, rice is very suited to stockpiling. There is only a 120-day reserve of oil but even at present, there is a stockpile of rice for over one year. In such a situation, the claim that there must be 100-percent self-sufficiency is nothing more than pure nonsense.

Farmland surrounding large cities should be released and converted to commuter train railroad beds or residential land or parking lots for salaried workers. I have been advocating that continually for the past five years.

Nation and Bureaucracy on the Decline

Next, let us consider a "borderless world." Until now, I have been writing or talking about two "C's" (consumers and corporations) but I am thinking of taking up the "country" problem next for discussions. A "borderless world" means countries without boundaries or a world without barriers. For example, a consumer buys a pair of "Reebok" sneakers to suit his individual taste. The sneakers have a British brand mark but the business is run by an American company and the production is carried out in the ROK. Neckties are purchased believing that they are French, but most are found to be made in Italy or Spain. Opening up an IBM personal computer, it is found that the best components from throughout the world have been incorporated—like the rigid selection of Olympic athletes. The share of IBM personal computers is very large in the U.S. market and the reason is that they incorporate the best components in the world. Consumers are not concerned about which countries the parts are imported from. The criterion is to obtain good parts cheaply and regularly, and national flags are no longer of any concern.

For consumers who are well informed and companies with a world outlook, national borders no longer exist. Unless that viewpoint is adopted, everything will start to decline.

A good example is the summit where discussions are held within the old framework. That is an evidence that countries and bureaucracies are steadily waning. It is not clear what was accomplished at the last summit meeting. Only the mass media has made a big fuss about it. The general public does not even remember what agreement was reached at the last summit. It makes me want to say to foreign governments that "you should leave the driver's seat and go to the rear." Asking for the return of the "Northern Territories" or blaming Japan or the United States for this and that in the present age appear to be 19th century hangovers. The U.S.-Japan structural conferences, in the present form, are unnecessary meetings. Demands against the government should be made by the Japanese people themselves. Since it appeared that the United States was making the demands in place of the national populace, I used the expression, "American opposition party," but since my interim report, I have changed my mind. The United States has become the government party and the LDP has turned into a lobbyist, pleading "do not press your demands too far." The United States changed from the opposition to the government party and the LDP became the opposition party. Should we tolerate being a country like that? Regarding the structural conferences, I am told when I go abroad, "Why don't the Japanese complain that it is meddling in internal affairs?" The Japanese do not seem to have a clearcut reply to that. The Japanese are an odd people. They will act if told to do so by the United States. If they are not told, they will not act even if they, themselves, think they should. Yet, they suddenly turn in opposition if pressed too far by the United States and become anti-American. Many persons, who appear to be "offshoots" of Shintaro Ishihara, begin to emerge (laughter). They do not try to rectify things that they think are wrong. In effect, they do not try to run their country independently by themselves, which is the basic principle of democracy, so there no country as insecure as this.

With Labor Shortage, Time Is Opportune for Industrial Restructuring

I believe that the government should be dissolved once and a government which supports consumers should be established. As I proposed in the *Heisei Restoration*, a political party to replace the LDP should be formed and if that cannot be done, the LDP should be split into two. Then, a new party possessing the principles of liberalized economy and support for consumers should be established. In other words, a new party centered on a global ideology should be built.

Then, a drastic change in the industrial structure should be planned. Actually, from a long-range standpoint, a period of labor shortage like the present provides a timely opportunity. If the industrial structure is changed when the labor shortage is breaking the economy, "fear is often greater than the danger" and after it is carried out, most of the laborers can be reassigned to new jobs like the coal miners in the past. Japan is not suffering as much as foreign countries from the coal problem today because changes took place in the high-growth period. It is difficult to make a drastic change in the industrial structure during a recession. For that reason, when the government made bold decisions in the past, actions were unexpectedly smooth because of "natural laws." In this way, industries should be shifted to acquire even more competitive power. Industries will be in a better position to pay wages and people tend to shift to places with power. The worst scenario is to import laborers from foreign countries to make up for the labor shortage and to return them when there is a surplus while leaving antiquated industries as they are. The result will be that industries without competitive power will remain in Japan. Therefore, I think that industrial restructuring should be carried out when there is an acute labor shortage like the present. Instead of saying that is a task for the 21st century, it should be accomplished now.

Isn't that the course for survival in a borderless world?

Japan Is Like a Developing Country in World Outlook

The dramatic changes in East Europe and the Soviet Union actually resulted because they became borderless. With the advance of information technology, companies and consumers are now able to obtain local information directly. Recently, when I went to East Germany, I heard that because they had been watching TV programs from France and West Germany for the past 10 years, they

were well informed on what had been happening on the Western side during that period. That was the prime reason for recent occurrences. Essentially, "information expansion" and "becoming borderless" are the same. As a consequence, centralized authority, one-party rule and a planned economy collapsed. I think that a centralized government, as in Japan, will crumble and a planned economy as in the USSR will disintegrate. An examination of the problematical points faced by countries in a turmoil at this stage reveals that they are the centralized government, single ideology and planned economy. Of these problems, Japan is troubled by the single ideology of "Japan-ism" and a centralized government. The Soviet Union is afflicted by all three so the problems are deep-rooted. I do not think the problems will be resolved easily.

The people in the world are seeking a "good life" (good livelihood) and not ideologies. For example, the students in China rose up at Tiananmen, proclaiming the "Chinese spirit," but in reality what they really wanted was to become like the rest of the world. They claim it was "China-ism" not communism but the ultimate hope of that "China-ism" was simply to become a member of the borderless world. In English, that means a "good life." Japanese youngsters feel the same. So do Korean youngsters. They all desire a "good life."

The new jumbo aircraft, called "747-400," has a cruising range of 13,000 km. It can fly nonstop from Sydney to London. It means that from Tokyo, most of the important cities in the world can be reached nonstop. It will become necessary in the future to think in terms of such an economic sphere. I believe that Japanese politics, too, should be carried out from such a global standpoint. Also, the Japanese people should become more fully aware of what responsibilities they should assume. As for myself, I think that those responsibilities affecting global problems should be assumed. They should become actively responsible for the environment, problems of the least developed countries, debt problems of developing countries, problems concerning protection of nature, as well as problems concerning resources conservation. At present, Japan is not carrying out these responsibilities in any manner. The Japanese are concerned only about their home security, own successs or company prosperity. That means that the world outlook of the Japanese has not changed in any way since the days when Japan was a developing country. This is the biggest reason why the world's respect and friendship toward Japan has not increased at all. In short, Japan thinks only about itself. Therefore, only after being pressed strongly by the United States is the Japanese Government, even *Kasumigaseki* [Foreign Ministry], willing to respond on grounds that it is easier to act if others make strong demands, even with respect to actions that should basically be taken on its own initiative. Such a lack of leadership and responsibility is making Japan an orphan in the world. Since future liabilities tend to accumulate even during periods of prosperity, isn't today's Japan actually piling up such liabilities?